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SUBJECT: CAL AIRCRAFT PURCHASES ON HOLD

Classified By: AIT Director Douglas H. Paal, Reason 1.5 d

**¶1.** (C) Boeing Commercial Sales representatives Paul Fang and Scott Grimsby met with AIT economic and commercial officers on February 25 to discuss possible aircraft purchases by China Airlines (CAL). Boeing representatives asked AIT/T to inquire discreetly into two questions: whether European trade offices, specifically the British, had been lobbying the Taiwan government recently on behalf of Airbus and whether CAL was on the verge of announcing the purchase of four A-340-600 aircraft. AIT/T agreed to make some quiet inquiries.

**¶2.** (C) In a courtesy call with Ministry of Transportation and Communications Vice Minister Oliver Yu on March 7, econoffs expressed appreciation for Taiwan airlines close relationship with Boeing. Econoffs noted that our European counterparts frequently work very actively to promote Airbus sales and that AIT wanted to be supportive of Boeing's efforts. Yu indicated that he had no knowledge of any pending procurement. He also emphasized that airlines in Taiwan would be free to make aircraft purchase decisions based purely on business considerations without pressure from the Taiwan government, the standard formulation, belied by government control of 70 percent of CAL stock.

**¶3.** (C) In a phone call with CAL Vice President Samson Yeh of the Safety, Security and Compliance Division, econoff asked what aircraft purchases CAL had pending. Yeh said that although he participates in discussions on aircraft purchases, he is not responsible for purchase planning. Nevertheless, he indicated that in the short term, CAL has put aircraft purchases on hold. CAL had planned to sell some aircraft in its fleet but has postponed those plans. He said that while Boeing and Airbus are in the process of changing their product lines, for example Boeing's transition from 777s to 787s, CAL is holding off on aircraft purchases as it evaluates its future plans. He denied rumors that there is an Airbus purchase in the works.

**¶4.** (C) We have updated Boeing on our conversations and will continue to monitor CAL's plans.

PAAL